

Message Text

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67

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 FRB-02 OPIC-12 EB-11 OMB-01 L-03

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R 241713Z JUN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1521

UNCLAS LONDON 07901

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: U.K. PROPOSED TAX LEGISLATION

REF: LONDON 5804

1. ON JUNE 21, H.M. TREASURY ANNOUNCED FURTHER SOFTENING IN PROPOSED TAXATION OF FOREIGNERS RESIDING IN U.K. IN 9 OF PREVIOUS 10 YEARS. NEW ARRANGEMENT IS THAT FROM TAX YEAR 1976-77 ONWARDS, THESE PERSONS WILL PAY U.K. TAX ON THREE QUARTERS OF EARNINGS FROM EMPLOYMENT HERE (I.E., NOT ON WORLDWIDE INCOME. FOREIGNERS HOWEVER

WHO THEY HAVE LIVED IN U.K. WILL PAY U.K. TAX ON INVESTMENT INCOME ARISING ABROAD AND ON THEIR CAPITAL GAINS ABROAD ON REMITTANCE BASIS, AS THEY HAVE DONE IN PAST.

2. IN EXPLAINING ABOVE, JOEL BARNETT, MP, CHIEF SECRETARY IN TREASURY SAID QUOTE IT HAS NEVER BEEN THE INTENTION OF THE GOVERNMENT TO DRIVE FOREIGNERS OUT OF THE BUSINESS AND CULTURAL LIFE OF THE COUNTRY UNQUOTE.

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3. COMMENT: EMBASSY JUDGES THAT VERY STRONG REPRESENTATIONS, LARGELY FROM MNCS, BUT ALSO FROM SERVICE INDUS-

TRIES; SHIPPING LINES; PRESTIGIOUS ACADEMIES; U.K. INDUSTRIAL AND FINANCIAL PRESSURE GROUPS SUCH AS CBI AND BRITISH BANKERS ASSOCIATION; AND U.S. CHAMBER OF COMMERCE WERE RESPONSIBLE FOR THE CHANGE.

ANNENBERG

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Message Attributes

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